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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

TOM FORESE, Chairman
BOB BURNS
DOUG LITTLE
ANDY TOBIN
BOYD W. DUNN

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR
A HEARING TO DETERMINE THE FAIR
VALUE OF THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING PURPOSES,
TO FIX A JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP SUCH
RETURN.

Docket No. E-01345A-16-0036

IN THE MATTER OF FUEL AND
PURCHASED POWER PROCUREMENT
AUDITS FOR ARIZONA PUBLIC SERVICE
COMPANY.

Docket No. E-01345A-16-0123

**NOTICE OF FILING DIRECT
TESTIMONY OF BRIANA KOBOR
IN SUPPORT OF THE PROPOSED
SETTLEMENT AGREEMENT ON
BEHALF OF VOTE SOLAR**

Vote Solar, through its undersigned counsel, hereby provides notice that it has this day
filed the attached direct testimony of Briana Kobor in support of the proposed settlement
agreement.

1 DATED this 3rd day of April, 2017.

2 ARIZONA CENTER FOR LAW IN
3 THE PUBLIC INTEREST

4 By



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14 ORIGINAL and 13 COPIES of
15 the foregoing filed this 3rd day
16 of April, 2017, with:

17 Docketing Supervisor
18 Docket Control
19 Arizona Corporation Commission
20 1200 W. Washington
21 Phoenix, AZ 85007

22 COPIES of the foregoing
23 electronically mailed this
24 3rd day of April, 2017, to:

25 All Parties of Record



BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR A HEARING TO
DETERMINE THE FAIR VALUE OF THE
UTILITY PROPERTY OF THE COMPANY
FOR RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RATE OF
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**DIRECT TESTIMONY OF BRIANA KOBOR IN SUPPORT OF THE
PROPOSED SETTLEMENT AGREEMENT
ON BEHALF OF VOTE SOLAR**

APRIL 3, 2017

Table of Contents

1	INTRODUCTION	1
2	PROPOSED SETTLEMENT AGREEMENT'S RESOLUTION OF ISSUES RAISED IN VOTE SOLAR'S DIRECT TESTIMONY.....	2
3	OTHER SETTLEMENT TERMS.....	7
4	CONCLUSION	8

1 Introduction

2 **Q. Please state your name and business address.**

3 A. My name is Briana Kobor. My business address is 360 22nd Street, Suite 730,
4 Oakland, CA.

5 **Q. On whose behalf are you submitting this direct testimony?**

6 A. I am submitting this testimony on behalf of Vote Solar.

7 **Q. Did you submit direct testimony in this proceeding?**

8 A. Yes, I did. My direct testimony contains an introduction to Vote Solar as well as a
9 summary of my professional experience.

10 **Q. Does Vote Solar support the Proposed Settlement Agreement filed in this**
11 **docket on March 27, 2017?**

12 A. Yes, we do.

13 **Q. Was the negotiation process that resulted in the Proposed Settlement**
14 **Agreement a fair and reasonable process?**

15 A. Yes. The Proposed Settlement Agreement is the result of a lengthy series of
16 negotiations and is the product of willingness among the parties to compromise.
17 The Proposed Settlement Agreement contains concessions by many different
18 parties with divergent interests and positions. In my opinion, the negotiations
19 were conducted in a fair and reasonable way.

20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to explain how the Proposed Settlement
22 Agreement resolves issues Vote Solar raised in its direct testimony concerning
23 Arizona Public Service Company's ("APS") general rate case application. As I

1 explain in this testimony, Vote Solar finds the Proposed Settlement Agreement to
2 be fair, reasonable, and in the public interest and recommends that the
3 Commission adopt it without modification.

4 **2 Proposed Settlement Agreement's Resolution of** 5 **Issues Raised in Vote Solar's Direct Testimony**

6 **Q. What recommendations did you make in your pre-filed direct testimony?**

7 **A.** In my pre-filed direct testimony I recommended the following:

- 8 • Existing Distributed Generation ("DG") customers should be grandfathered
9 into retail rate net metering and current rate design options.
- 10 • Additional restrictions should not be placed on the modified net metering
11 rider and APS's proposal to restrict enrollment on Rider EPR-6S to systems
12 less than 100 kW should be rejected.
- 13 • Existing residential and extra small commercial rate options should be
14 maintained.
- 15 • Basic service charges for residential and extra small commercial customers
16 should not be increased.
- 17 • The peak period should be from 2 p.m. to 7 p.m.
- 18 • DG customers should be afforded the same rate options as other residential
19 customers.
- 20 • DG customers who sign up for interconnection after the grandfathering
21 deadline should not be subject to Rate Rider LFCR-DG.
- 22 • DG customers who sign up for interconnection after the grandfathering
23 deadline should be charged a monthly meter fee of \$4.26. In lieu of the
24 monthly fee customers should have the option to pay a one-time upfront
25 charge of \$296.91.

- 1 • The lost fixed costs recovery (“LFCR”) structure should not be modified at
2 this time.¹

3 **Q. Does the Proposed Settlement Agreement resolve each of these issues**
4 **consistent with your recommendations?**

5 A. The Proposed Settlement Agreement adopts some of my recommendations, but
6 does not adopt all of them. However, the overall package embodied in the
7 Proposed Settlement Agreement represents a reasonable set of policies, when
8 taken as a whole and in light of the specific facts and circumstance of this case.
9 Thus, Vote Solar asks the Commission to adopt the Proposed Settlement
10 Agreement without modification. If the same proposal were made for a different
11 utility, under different facts or circumstances, or without all of the provisions of
12 the proposal as a whole, Vote Solar’s position would likely be different.

13 **Q. Please indicate which of your recommendations were adopted by the**
14 **Proposed Settlement Agreement.**

15 A. The Proposed Settlement Agreement adopts my recommendation that existing DG
16 customers should be grandfathered onto retail rate net metering and current rate
17 design options.² The Proposed Settlement Agreement provides that APS
18 customers that file an interconnection application prior to a Decision in this case
19 will be grandfathered for a period of twenty years with the twenty-year period
20 beginning from the date the system is interconnected with APS.³ This term
21 additionally ensures that grandfathered DG customers will continue to take
22 service under full retail rate net metering and will have access to legacy rates that

¹ Direct Test. of Briana Kobor on behalf of Vote Solar at 8:7-25 (“Kobor Direct”).

² Settlement Agreement at § 18.5 (Docket Nos. E-1345A-16-0036, E-01345A-16-0123) (March 27, 2017). .

³ *Id.*

1 maintain their current tariff structure.⁴ This is consistent with the stated policy of
2 the Commission in other recent cases.⁵

3 The Proposed Settlement Agreement additionally adopts my recommendation that
4 DG customers who sign up for interconnection after the grandfathering deadline
5 should not be subject to Rate Rider LFCR-DG.⁶ This Rider will be frozen and
6 maintained only for grandfathered customers.⁷

7 **Q. Please indicate the recommendations that were not adopted by the Proposed**
8 **Settlement Agreement.**

9 A. For the remainder of my recommendations identified above, the Proposed
10 Settlement Agreement adopts a compromise position between the litigation
11 position of APS, the litigation position of Vote Solar, and the position of other
12 parties. Each of these is described below.

13 **Availability of Rider EPR-6S:** The Proposed Settlement Agreement does not
14 adopt APS's proposal to limit enrollment on Rider EPR-6S to customers with DG
15 systems of less than 100 kW in capacity. APS had proposed to move new DG
16 customers with systems in excess of 100 kW to a purchase rate for excess energy
17 set at the short-term avoided cost. This was expected to apply to commercial
18 customers. Instead the Proposed Settlement Agreement continues full retail rate
19 net metering for all commercial customers.⁸

20 **Residential Rate Options:** My direct testimony suggested that the Commission
21 maintain all existing residential rate options, including the existing standard tiered
22 volumetric rate, the two-part time-of-use ("TOU") rate, and the three-part TOU
23 rate options. The Proposed Settlement Agreement discontinues the standard tiered
24 volumetric rate, replacing it with a number of flat two-part rates and modifies the

⁴ *Id.* at § 18.6.

⁵ *See, e.g.*, docket nos. E-04204A-15-0142, E-00000J-14-0023, and E-01933A-15-0322.

⁶ *See* Settlement Agreement, App. H, at Rate Rider Legacy EPR-6: Partial Requirements Service for On-Site Renewable Distributed Generation Net Metering at 3 of 3.

⁷ *Id.*

⁸ *Id.* at § 18.6

1 existing two-part TOU rate, and the three-part TOU rate options.⁹ While I still
2 believe that maintaining a standard tiered rate to provide important price signals
3 for energy efficiency and conservation is the best rate design, when considered
4 with the balance of issues addressed by the Proposed Settlement Agreement, I
5 find the residential rate options reasonable as a whole.

6 **Basic Service Charges:** In my direct testimony I asked the Commission to
7 maintain the current basic service charge of \$8.67/month on the standard tiered
8 rate and lower the basic service charges on the optional TOU and demand charge
9 rates to be equivalent. The Proposed Settlement Agreement adopts a Basic
10 Service Charge of \$10-\$20/month, depending on the tariff option, with all
11 customers eligible to take service on rates with a basic service charge of no more
12 than \$13/month.¹⁰ Again, while this does not reflect what I believe is the best rate
13 design, the charges in the Proposed Settlement Agreement represent a reasonable
14 compromise by parties with divergent positions on various issues.

15 **Peak Period Definition:** The current peak period for residential customers on the
16 optional TOU rate and optional demand charge rate is from noon to 7 p.m. APS
17 had proposed changing the peak period to 3 p.m. to 8 p.m. In my direct testimony
18 I agreed that the peak period should be shortened, but recommended that the peak
19 be defined as 2 p.m. to 7 p.m. While I maintain that when looking specifically at
20 the TOU period, a 2 p.m. to 7 p.m. period peak is more supported by the evidence,
21 I accept that parties disagree on this issue and that when considered with the
22 balance of many different issues addressed by the Proposed Settlement
23 Agreement the 3 p.m. to 8 p.m. period peak is reasonable.¹¹

24 **DG Customer Rate Options:** APS had proposed to restrict new DG customers to
25 a single rate option, Schedule R-3, with a large demand charge. My direct
26 testimony asked the Commission to allow DG customers to have access to all of
27 the same rate options as non-DG customers. Obviously, the parties had divergent

⁹ *Id.* at § 19.1.

¹⁰ *See id.* at § 17, Residential Rate Design.

¹¹ *Id.* at § 17.8.

1 positions and arguments on this issue and faced litigation risks on this and other
2 issues. The Proposed Settlement Agreement represents a middle ground whereby
3 new DG customers will have more options than APS's proposal, but still be
4 limited to choosing between a two-part TOU rate and several three-part rate
5 options.¹² New DG customers will not be able to take service on any of the flat
6 two-part rates.¹³ While I believe that new DG customers should be afforded the
7 same rate options as non-DG customers, when considered with the balance of
8 issues addressed by the Proposed Settlement Agreement I find the DG customer
9 rate options to be a reasonable compromise.

10 **Additional Fees for DG Customers:** In my direct testimony I calculated an
11 appropriate meter fee based on incremental capital costs associated with the
12 bidirectional meter installed to bill DG customers consistent with that approved
13 for Tucson Electric Power in Decision 75975. This fee is not adopted by the
14 Proposed Settlement Agreement.

15 The Proposed Settlement does adopt an additional fee for DG customers who take
16 service on the two-part TOU rate, Schedule TOU-E.¹⁴ This fee was assessed
17 based on the installed capacity of the customer's DG system and was settled on at
18 \$0.93 per kilowatt of direct current ("kW-dc") per month. This fee was calibrated
19 to result in the settled-on self-consumption offset rate of \$0.105/kWh that resulted
20 from negotiations between Vote Solar, APS, Staff, the Residential Utility
21 Consumer Office, and other interested parties.¹⁵ That is, it is the charge necessary
22 to implement the offset rate agreed to by the parties. While Vote Solar maintains
23 that DG customers should be able to take service on any available residential rate
24 schedule without being charged additional fees, when considered with the balance
25 of issues addressed by the Proposed Settlement Agreement, including the agreed
26 upon offset rate, I find the monthly \$0.93/kW-dc charge that results in a self-
27 consumption offset rate of \$0.105/kWh a reasonable compromise.

¹² *Id.* at § 17.4.

¹³ *Id.* at § 17.

¹⁴ *Id.* at § 17.4.

¹⁵ *Id.* at § 18.1.

1 **Modifications to the LFCR:** APS proposed several modifications to the LFCR
2 that I recommended the Commission reject. These included: (1) increasing the
3 year-over-year cap to 2%, (2) allowing for recovery of costs currently excluded
4 from the LFCR, and (3) changing the LFCR from an equal percentage surcharge
5 to a demand charge for most customers.¹⁶ The Proposed Settlement Agreement,
6 consistent with my recommendations, does not adopt the first two changes. The
7 third recommendation, to change the LFCR from an equal percentage surcharge to
8 a demand charge, was adopted in part. Under the Proposed Settlement Agreement,
9 customers on two-part rates will be assessed an LFCR charge on a \$/kWh basis
10 and customers on three-part rates will be assessed an LFCR charge on a \$/kW
11 basis.¹⁷ As with other resolved issues, this portion of the Proposed Settlement
12 Agreement, when taken as a whole with the rest of the settlement, represents a
13 reasonable compromise.

14 **3 Other Settlement Terms**

15 **Q. Are there any additional terms in the Proposed Settlement Agreement that**
16 **relate to issues not addressed in your direct testimony that you would like to**
17 **comment on?**

18 **A. Yes.** While the Proposed Settlement Agreement addresses a number of issues on
19 which Vote Solar did not take a position in direct testimony, there is one
20 additional issue of interest to Vote Solar that was not addressed in my direct
21 testimony: the Resource Comparison Proxy (“RCP”).

22 **Q. Please describe the RCP adopted by the Proposed Settlement Agreement.**

23 **A. The Proposed Settlement Agreement adopts an RCP for exported energy as**
24 **established in Decision 75859, as amended by Decision 75932, of \$0.129/kWh in**
25 **year one. Decision 75859 identified a RCP for APS as \$0.109/kWh¹⁸ and also**

¹⁶ Kobor Direct at 83:21-23.

¹⁷ Settlement Agreement at § 17.

¹⁸ Decision 75859, 116:14-15.

1 directed that the RCP be “modified to account for the added benefits of DG
2 including avoided transmission and distribution capacity and avoided line
3 losses.”¹⁹ The total export credit rate of \$0.129/kWh included in the Proposed
4 Settlement Agreement is consistent with Decision 75859 because the final rate is
5 \$0.02/kWh above the RCP identified in Decision 75859. The \$0.02/kWh
6 difference represents a conservative value for avoided transmission and
7 distribution capacity and avoided line losses. This value is lower than recent
8 estimates of such values.²⁰ When considered with the balance of issues addressed
9 by the Proposed Settlement, the \$0.129/kWh export credit rate is a reasonable
10 compromise.

11 **4 Conclusion**

12 **Q. Are there any remaining issues you have raised on behalf of Vote Solar that**
13 **the Proposed Settlement Agreement does not address?**

14 A. No. The Proposed Settlement Agreement addresses the issues raised by Vote
15 Solar in this proceeding.

16 **Q. Please describe why you are willing to support the Proposed Settlement**
17 **Agreement even though it does not adopt all of your recommendations.**

18 A. The Proposed Settlement Agreement reflects the give and take of many parties
19 and in my opinion is a reasonable compromise in light of the issues, parties’
20 positions, facts and circumstances of this case, and litigation risks of all parties.
21 While I do not support any specific settlement term in isolation, I find the totality
22 of the agreement to be fair, reasonable, and in the public interest. Should the
23 Commission not approve all provisions in the Proposed Settlement Agreement, or
24 if similar terms were offered for a different utility, based on different facts and
25 circumstances, my conclusion would likely be different.

¹⁹ *Id.* 171:13-14.

²⁰ *See, e.g.,* Direct Test. of Thomas Beach on behalf of TASC, Ex. 2 (Docket No. 14-0023).

1 **Q.** **Does this conclude your testimony?**

2 **A.** Yes.